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**Via Electronic Mail Delivery**

Magalie Roman Salas, Secretary  
Federal Communications Commission  
445 12<sup>th</sup> Street, S.W., Room TW-B204  
Washington, D.C. 20554

Re: *Ex Parte* Presentation  
Automatic Roaming – WT Docket No. 00-193

Dear Ms. Salas:

This letter serves as notification that on this date Luisa Lancetti and Roger Sherman (representing Sprint PCS), had a meeting with Susan Singer, Roger Noel, Bill Stafford and Paul D'Ari (of the Wireless Telecommunications Bureau) to discuss the above-captioned proceeding. A copy of the presentation material discussed at the meeting is attached hereto.

Pursuant to Section 1.1206(a), an original and one copy of this letter are being filed with your office. Please associate this letter with the files in the above-captioned proceeding.

Please contact us should you have questions concerning the foregoing.

Sincerely,



Luisa L. Lancetti

**Attachment**

cc: Susan Singer  
Roger Noel  
Bill Stafford  
Paul D'Ari

# **Automatic Roaming**

(WT Docket No. 00-193)

**The FCC's Current Approach Is Working**

Sprint PCS  
*Ex Parte* Presentation  
January 15, 2002

## Roaming Today: Regulatory Issues

### Manual Roaming:

- ◆ All carriers required to provide by Rule 20.12(c).
- ◆ Manual roaming is so cumbersome to consumers that it is fundamentally different offering than automatic roaming (e.g., registration process, higher rates, no incoming calls). Less than 1% of all Sprint PCS roaming minutes involve manual roaming.
- ◆ FCC could eliminate manual roaming rule and very few consumers would notice. Importantly, elimination of rule would not inhibit ability to make 911 calls.

### Automatic Roaming:

- ◆ FCC does not regulate directly; no specific rule provision as with manual roaming.
- ◆ Regulation is indirect: FCC entertains Section 208 complaints alleging violations of Sections 201/202.
- ◆ This “Enforcement when Necessary” approach has been highly successful: automatic roaming is widely available and the FCC has been able to act with benefit of specific factual context. (Most cases are settled.)
- ◆ There is strong support for FCC to maintain the *status quo*: continue to regulate *via* Sections 201, 202 and 208. Although a handful of small carriers encourage adoption of new rules, they overlook complaint process.
- ◆ The principal area of dispute is a subset of automatic roaming market – “in market” roaming. Cingular and Verizon want FCC to eliminate any obligation to provide this service so they can take advantage of more expansive coverage due to 12-year head start in constructing their respective networks. Every other party, including AT&T Wireless, opposes the Cingular/Verizon position.
- ◆ In contrast to manual roaming, loss of automatic roaming would cause significant service disruptions for consumers.

## **Automatic Roaming: Ubiquitous Seamless Coverage Is Important to Consumers**

- ◆ Roaming is important to consumers:
  - Ubiquitous “anywhere” coverage is more important to consumers than any other feature (Peter Hart Research, Feb. 2000).
  - “Nearly three quarters of wireless phone users consider roaming to be very or somewhat important” (Strategis Group, Feb. 2000).
  - Two-thirds of customers would switch carriers for better coverage (Yankee Group, July 2000).
  - Despite cellular consolidation and rapid PCS buildout, roaming use has mushroomed. In last five years, number of roaming calls jumped fivefold: 1.3 billion calls in 1996 vs. 7.3 billion calls in 2001 (CTIA 2001 Indices Report).
- ◆ “The construction and operation of seamless, ubiquitous, reliable wireless systems serve the public interest by enhancing public safety, improving the usefulness of communications services, and facilitating interstate commerce” (Congress, H.R. Rep. No. 106-25 at 9 (1999)).
- ◆ Ubiquitous coverage can be offered only through roaming since no carrier has nationwide network coverage.
- ◆ Given the importance of roaming to consumers and lack of impact on incumbent (roaming provider) network, this service must be preserved.

**Issue today is not whether ubiquitous coverage (roaming) will be available, but which carrier provides best price for its national coverage — both “on-net” and “off-net” (roaming) calls.**

## **Wholesale Roaming Market Is Different From the Retail Market**

- ◆ While retail CMRS market is robustly competitive (Sixth Report), the wholesale roaming market is not.
- ◆ In many areas there are only two potential roaming partners — the incumbent cellular carriers:
  - AMPS coverage is nearly universal vs. TDMA (42% of U.S.), CDMA (35%), GSM (22%) and iDEN (28%) (Sixth Report, App. C).
  - AMPS roaming is also required in “dead spots” when carriers encounter zoning delays for additional sites.
  - Digital roaming (among compatible 2G technologies) is just beginning, as it often requires use of tri-mode phones (800 MHz AMPS, 800 MHz 2G and 1.9 GHz 2G).
- ◆ Market with only two providers is “less than fully competitive” (FCC, 10 FCC Rcd at 8845 ¶ 4), and “duopolists have substantial market power” (DoJ 1994).
  - Cellular wholesale roaming prices in same market can vary from 200% to 500%, confirming that cellular carriers understand market power they wield.
  - Roaming market has become very concentrated:
    - In 1998, three largest cellular carriers served 40% of all retail AMPS customers. Today, same three carriers serve 83% of all retail AMPS customers.
    - Cellular concentration increases competition in retail market, but also increases market power in roaming market. Roaming decisions they make have much larger impacts.

**While retail CMRS market is robustly competitive,  
roaming provider market is “less than fully competitive.”**

## **FCC's Current Approach Has Facilitated Widespread Roaming**

- ◆ Commission's approach has resulted in the reliable, ubiquitous coverage demanded by mobile customers and supports increasingly important public safety and personal security purposes.
- ◆ In duopoly, cellular carriers had incentive to negotiate roaming agreements (A-side carriers entered into one set of agreements, while B-side carriers entered into separate agreements).
- ◆ Issue became more complex with PCS entry since cellular may not need reciprocal roaming for coverage. On positive side, roaming can be highly profitable business (*see* page 9).
- ◆ Roaming has flourished without rigid FCC rules, but with FCC enforcement of core Act requirements — no “unjust or unreasonable” practices and no “unreasonable discrimination” (47 U.S.C. §§ 201, 202).
- ◆ Based on Sprint PCS' experience, largest carriers have not exercised their market power because of FCC willingness to entertain complaints.

### **The FCC Should Reject Attempts to Distinguish “In-Market” Roaming**

- ◆ Cingular and Verizon want ability to deny “in market” roaming, although they do not define what “in-market” means (e.g., BTAs, MTAs, MSAs). Not only would such a roaming “carve-out” be difficult to achieve and enforce, it will create great consumer uncertainty, disrupt service and lead to the loss of ubiquitous coverage expected by majority of consumers.
- ◆ Most consumer travel is local — within 20-21 mile radius of home. Network needed to support such local travel is large — 1,330 square miles (Yankee Group, July 2000).
- ◆ Sprint PCS uses local roaming in areas where it has not had time to extend its networks (*e.g.*, edges of metro areas) or has encountered difficulties obtaining approval to construct towers (*e.g.*, applications pending for two years or more).
- ◆ Even Verizon, the largest carrier, uses “in-market” local roaming – despite more than 15 years to build its network.

**Preservation of In-Market roaming benefits consumers and competition.**

## **Withdrawal of “In-Market” Roaming Would Harm Consumers and Reduce Competition in Retail Market**

- ◆ Retail CMRS market is competitive today *because* carriers (including new entrants) have ability to offer ubiquitous coverage (supported by roaming agreements).
- ◆ Market data confirms many consumers are willing to switch carriers for better coverage.
- ◆ The public interest benefits of ubiquitous coverage dictate that robust roaming capabilities be preserved throughout the nation. Loss of “in-market” roaming would dramatically alter nature of mobile service. Minimal government oversight is therefore necessary to ensure maintenance of reliable, ubiquitous service.
- ◆ For many consumers, if “in market” roaming is disabled, retail market would return to days when “cellular carriers enjoyed duopoly market power, substantially free of direct competition from any other source” (FCC, 13 FCC Rcd at 16867 ¶ 21).

**Footprint advantage incumbents seek to exploit by denying in-market roaming is not due to some special skill or innovation, but solely due to 12-to-15-year head start over PCS licensees.**



## Arguments For Disabling “In-Market” Roaming Lack Merit

1. **Myth:** In-market roaming discourages PCS buildout.

**Fact:** PCS carriers are building at a record pace and facilities-based competition is flourishing:

- Sprint PCS built more cell sites in its first five years than entire cellular industry over its first 10 years.  
(Entire industry: 14,740/Sprint PCS 15,227)
- In 2001, Sprint PCS averaged 270 new cell sites *per month* — even with availability of in-market roaming.
- Sprint PCS serves approximately 10% of all CMRS customers but operates over 15% of all cell sites  
(17,649 vs. 114,000 total).
- Carriers need their own sites to control costs, ensure service quality (e.g., avoid dropped calls), and support features (e.g., voice dialing, web access). Carriers are not incented to rely on legacy networks for providing service to customers.

2. **Myth:** PCS carriers want “free ride” on cellular investment.

**Fact:** Roaming is highly profitable for cellular carriers (Salomon Smith Barney, January 3, 2001):

Retail calls:	20.0¢	Average revenue per MOU
	- <u>11.4¢</u>	Average network costs
	8.6¢	Margin for marketing costs & profit
Roaming calls:	44.0¢	Average roaming price
	- <u>11.4¢</u>	Average network costs
	32.6¢	Profit (no marketing costs)

3. **Myth:** Limited AMPS capacity makes roaming difficult.

**Fact:** Largest cellular carrier disputes this unsupported assertion:

Verizon Wireless has documented that AMPS repeal “will not free up a significant amount of spectrum for other uses” and “will not have a significant effect on the availability of spectrum in the markets where additional spectrum is needed most.” Verizon Comments, WT 01-108, July 2, 2001.

There is no support in the record that continued provision of in-market roaming is a burden on network operations.

## Summary and Recommendations

1. Evolving societal and governmental needs suggest minimal regulatory intervention is justified to protect roaming services in order to ensure reliable, ubiquitous coverage.
2. Consumers expect and demand “anywhere” coverage — which requires roaming as network buildout continues.
3. “In-market” roaming is critical to preserve coverage “safety net” for all consumers. Difficulties (and negative court precedents) with tower siting and network construction also make in-market roaming necessary.
4. Most parties — AT&T Wireless, CTIA, Sprint PCS, Qwest, U.S. Cellular, VoiceStream — recognize that automatic roaming is in the public interest, but at this time there is no need for a separate requirement. (Sections 201, 202 and 208 of the Act suffice.) FCC should therefore maintain *status quo* but stand ready to entertain complaints.
5. Cingular and Verizon Wireless have provided no reason for FCC to take step backwards by distinguishing “in-market” roaming. Adoption of this position will create new controversy as FCC is asked to distinguish “in-market” vs. “out-of-market” roaming. Result will be consumer confusion, service disruptions and, ultimately, more FCC involvement in this issue.
6. Withdrawal of “in-market” roaming would reduce competition in the retail CMRS market.